

Default tariffs for domestic consumers at the end of fixed term- contracts

Do you have any specific concerns with our proposal to allow suppliers, as a default and subject to the controls we outline in our recommendation, to roll customers onto further fixed-term contracts at the end of their existing fixed terms?

We believe it is a good thing for consumers to be rolled onto a tariff other than a very expensive standard variable tariff. We agree that it is vital that this tariff must not have any exit fees.

However, there are a few concerns or potential problems we would like to raise about this.

- Given that it is optional rather than mandatory, it raises the question of whether suppliers will actually do this and whether consumers will really benefit. The suppliers that are likely to support this are the ones that are already doing this. The reality is that the bigger suppliers' business models are based on the assumption that a certain percentage of their customers are on SVRs. Smaller providers have built the economics of their businesses in a different way, obtaining a profit margin from their customers during the life of a tariff. However, we still support it but feel the impact may not be significant. If bigger suppliers were to bow to political pressure and do this, it's possible that they will simply increase the cost of the fixed tariffs to cover costs.
- Suppliers should be forced to update third party intermediaries (TPIs) about what tariffs their customers will be rolled on to. Currently suppliers give certain information in order for TPIs to be able to provide a comparison. What the roll over tariff is, should be added to this information. It is critical for a service like Cheap Energy Club which helps consumers stay on top of the market to have this information to continue to provide the service. Cheap Energy Club has helped thousands of people switch. The fixed deal ending alert is one of the most popular aspects of the service.
- When suppliers update their customers about their deal ending and the roll over tariff, there should be a clear explanation about what a fixed deal is – many consumers believe that it is their direct debit that is fixed, not the unit rate. There is an opportunity to educate consumers on what a fixed deal is at the same time as updating them that their deal is ending.
- We would also like to point out that people associate fixing with cheapness, when the two are not, by definition, the same. This proposal could have the detrimental consequence of seeing fewer people switching to truly cheaper tariffs and causing more inertia in an already sticky market.

In the event of any queries, please contact:

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